

**CITY OF ST. MARYS, GEORGIA**

**FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2007**

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CITY OF ST. MARYS, GEORGIA

FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2007

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## FINANCIAL SECTION

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## INDEPENDENT AUDITOR'S REPORT

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**To the Honorable Mayor and City Council  
City of St. Marys, Georgia**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the **City of St. Marys, Georgia (the "City")** as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of St. Marys, Georgia as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2007, on our consideration of the City of St. Marys, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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The Management's Discussion and Analysis on pages 3 through 10 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements and schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of expenditures of special purpose local option sales tax are presented for purposes of additional analysis as required by Official Code of Georgia 48-8-121 and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of St. Marys, Georgia. The combining nonmajor fund financial statements and schedules, schedules of special purpose local option sales tax proceeds, and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Mauldin & Jenkins, LLC*

Macon, Georgia  
December 31, 2007

## **CITY OF ST. MARYS, GEORGIA**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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As management of the City of St. Marys, Georgia (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of St. Marys, Georgia for the fiscal year ended June 30, 2007. The information presented here should be used in conjunction with the additional information provided in this annual financial report, which follows this section.

#### **FINANCIAL HIGHLIGHTS**

- The assets of the City exceeded its liabilities at June 30, 2007 by \$48.8 million (*net assets*). Of this amount, \$12.4 million (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors. The City's total net assets increased by \$3.7 million.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7.3 million an increase of \$0.5 million in comparison with the prior year. Approximately 99% of this total amount, \$7.28 million is *available for spending* at the City's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was a positive \$6.4 million or a positive 55% of total general fund expenditures.
- The City's total debt increased by \$1,285,759 during the current fiscal year. This increase consisted of new debt of \$2,678,993 and scheduled payments of \$1,393,234.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City of St. Marys basic financial statements. The City's basic financial statements are comprised of three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City of St. Marys finances, in a manner similar to a private-sector business. All governmental and business-type activities are consolidated to arrive at a total for the Primary Government. There are two government-wide statements, the statement of net assets and the statement of activities, which are described below.

The *statement of net assets* presents information on all the City's assets and liabilities, with the difference between the two reported as *net assets*. This statement is a tool to measure the City's financial health or financial position. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. It is important to note that this statement consolidates the governmental fund's current financial resources (short-term) with capital assets and long-term liabilities. This statement also presents information on the City's component unit.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, health and welfare, judicial, housing and development culture and recreation, and interest on long-term debt. The business-type activities of the City include water and sewer and sanitation.

The government-wide financial statements can be found on pages 11 - 13 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund and SPLOST fund, because they are considered major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The City adopts an annual appropriated budget for its general fund and SPLOST Fund. A budgetary comparison statement has been provided for the General fund.

The basic governmental fund financial statements can be found on pages 11 - 22 of this report.

**Proprietary funds.** The City maintains one type of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its Water and Sewer Fund and Solid Waste Fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Fund and the Solid Waste Fund, which both are considered major funds of the City.

The basic proprietary fund financial statements can be found on pages 19 - 22 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23 - 46 of this report.

**Other information.** The combining statements referred to earlier in connection with non-major governmental funds and enterprise funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 47 - 53 of this report.

### Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$48.8 million at the close of the most recent fiscal year.

By far the largest portion of the City's net assets reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### CITY OF ST. MARYS NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	FY2007	FY2006	FY2007	FY2006	FY2007	FY2006
Current and other assets	\$ 7,897,698	\$ 7,472,443	\$ 7,893,701.00	\$ 8,255,176.00	\$ 15,791,399	\$ 15,727,619
Capital assets	15,373,601	14,358,680	34,360,255	30,797,460	49,733,856	45,156,140
<b>Total assets</b>	<b>\$ 23,271,299</b>	<b>\$ 21,831,123</b>	<b>42,253,956</b>	<b>39,052,636</b>	<b>65,525,255</b>	<b>60,883,759</b>
Long-term liabilities outstanding	\$ 2,354,485	\$ 1,444,389	\$ 11,797,732	\$ 11,422,069	\$ 14,152,217	\$ 12,866,458
Other liabilities	765,886	790,985	1,760,776	2,062,679	2,526,662	2,853,664
<b>Total liabilities</b>	<b>\$ 3,120,371</b>	<b>\$ 2,235,374</b>	<b>\$ 13,558,508</b>	<b>\$ 13,484,748</b>	<b>\$ 16,678,879</b>	<b>\$ 15,720,122</b>
Net assets:						
Invested in capital assets, net of related debt	\$ 13,019,116	\$ 12,914,291	\$ 22,562,523	\$ 19,375,391	\$ 35,581,639	\$ 32,289,682
Restricted	-	-	834,901	829,214	834,901	829,214
Unrestricted	7,131,812	6,681,458	5,298,024	5,363,283	12,429,836	12,044,741
<b>Total net assets</b>	<b>\$ 20,150,928</b>	<b>\$ 19,595,749</b>	<b>\$ 28,695,448</b>	<b>\$ 25,567,888</b>	<b>\$ 48,846,376</b>	<b>\$ 45,163,637</b>

Net assets may serve over time as a useful indicator of a government's financial position. The City of St. Marys' combined net assets are \$48.8 million for the year ending June 30, 2007. Of this amount, \$28.7 million came from business-type activities and \$20.1 million came from governmental activities. This was an increase over 2006 of \$3.7 million.

The unrestricted net assets (\$12,429,836) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all categories of net assets.

**Governmental activities.** Governmental activities during the fiscal year ended June 30, 2007 increased the City of St. Marys' net assets by \$555,179. Business-type activities during the same period increased net assets by \$3,127,560 for a total increase in net assets of \$3,682,739. The following chart shows the revenue and expenses by activity for the total primary government.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### CITY OF ST. MARYS CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	FY2007	FY2006	FY2007	FY2006	FY2007	FY2006
Revenues:						
Program revenues						
Charges for services	\$ 2,976,366	\$ 1,949,198	\$ 4,976,525	\$ 4,516,453	\$ 7,952,891	\$ 6,465,651
Operating grants and contributions	29,718	285,899	-	-	29,718	285,899
Capital grants and contributions	91,567	363,599	3,151,297	5,855,695	3,242,864	6,219,294
General revenues:						
Property taxes	3,223,663	2,863,547	-	-	3,223,663	2,863,547
Franchise taxes	724,213	669,800	-	-	724,213	669,800
Sales taxes	2,860,254	2,693,974	-	-	2,860,254	2,693,974
Hotel/motel taxes	131,118	133,199	-	-	131,118	133,199
Other taxes	948,736	771,618	-	-	948,736	771,618
Unrestricted investment earnings	198,602	135,488	227,310	162,544	425,912	298,032
Gain on sale of capital assets	9,492	-	13,877	-	23,369	-
Miscellaneous	-	30	17,222	87	17,222	117
Total revenues	<u>11,193,729</u>	<u>9,866,352</u>	<u>8,386,231</u>	<u>10,534,779</u>	<u>19,579,960</u>	<u>20,401,131</u>
Expenses:						
General government	2,041,996	1,376,561	-	-	2,041,996	1,376,561
Judicial	253,957	221,341	-	-	253,957	221,341
Public safety	3,969,907	3,283,264	-	-	3,969,907	3,283,264
Public works	2,438,935	2,067,212	-	-	2,438,935	2,067,212
Health and welfare	58,226	64,876	-	-	58,226	64,876
Culture and recreation	1,006,264	968,271	-	-	1,006,264	968,271
Housing and development	788,967	814,738	-	-	788,967	814,738
Interest on long-term debt	80,298	66,975	-	-	80,298	66,975
Water and sewer	-	-	4,342,075	3,979,052	4,342,075	3,979,052
Solid waste	-	-	916,596	806,276	916,596	806,276
Total expenses	<u>10,638,550</u>	<u>8,863,238</u>	<u>5,258,671</u>	<u>4,785,328</u>	<u>15,897,221</u>	<u>13,648,566</u>
Increase in net assets	555,179	1,003,114	3,127,560	5,749,451	3,682,739	6,752,565
Net assets, beginning of year	19,595,749	18,592,635	25,567,888	19,818,437	45,163,637	38,411,072
Net assets, end of year	<u>\$ 20,150,928</u>	<u>\$ 19,595,749</u>	<u>\$28,695,448</u>	<u>\$25,567,888</u>	<u>\$ 48,846,376</u>	<u>\$ 45,163,637</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### Analysis of Balances:

#### Governmental Funds:

The City of St. Marys has two major governmental funds, which are the General Fund and the SPLOST Fund.

At the end of FY 2007, the General Fund had a fund balance of \$6,466,912. This is an increase of \$194,745 from the beginning fund balance. Fund Balance was budgeted to be used in the General Fund for FY 2007-08 instead of increasing revenues for the General Fund through taxes.

The fund balances for the SPLOST fund increased by \$2,166. The fund balance at the end of FY2007 was a deficit \$15,260.

The fund balances for the other governmental funds increased by \$298,312. The final fund balances for these funds were \$880,682 at the end of the year.

#### Business-Type Activities Funds:

The enterprise funds, which include the City's Water & Sewer Fund and Solid Waste Fund showed a combined cash and cash equivalents balance of \$6,102,499 at the end of the year ending June 30, 2007. Of this amount \$1,433,762 are restricted assets.

The Water and Sewer Fund had an ending net asset balance of \$27,846,096 for FY 2007. This was an increase of \$2,996,058 from the previous year. Of the balance, \$834,901 is restricted net assets.

The Solid Waste Fund had an increase for the year of \$131,502 in the net assets for FY2007. Its net assets increased to \$849,352 at the end of the year. There are no restricted net assets in the Solid Waste Fund.

#### General Fund Budget Highlights

The budget was prepared according to Georgia Law.

The 2007 original revenue budget was \$8,666,365. It was amended to \$8,707,863 to account for additional miscellaneous revenues. In total, the City realized 119% of the projected 2007 revenues.

Differences between the original budget and the final amended budget were as follows:

\$23,950 increase in fines and forfeitures – to account for an increase in fines collected  
\$17,548 increase in miscellaneous revenues – insurance proceeds  
\$40,416 decrease in general government – contingency transferred to various departments

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### General Fund Budget Highlights (continued)

\$944,693 increase in public safety – account for the purchase of a fire truck provided by Cumberland Harbour and capital expenditures from a grant received by the City.

\$34,608 increase in public works – capital expenditure

\$23,950 increase in judicial – for additional fees collected as pass through

\$4,000 increase in health and welfare – salaries increase

\$7,650 increase in culture and recreation – capital assets

\$63,000 increase in housing and development – engineering services

\$18,000 increase in debt service – to cover principal and interest payments

\$1,010,788 increase in other financing sources (uses) – increase for grant transfers and increase in capital leases

### Comparison of Final Budget and Actual revenues and expenditures

Revenues – All categories exceeded budgeted collections

Expenditure deficiencies:

General government – Building and plant increase in property/liability insurance

Public works – due to increase in insurance

Judicial – increase in fees due to additional collections

Culture and recreation – increase in supplies

Transfers out – advanced grant revenue returned due to savings on expenditures

Actual expenditures (\$11,657,708) came in less than the budgeted expenditures (\$12,698,855). The actual expenditures do not include the other financing sources (uses).

The City's actual revenues exceeded the expenditures by \$194,745 including the other financing sources (uses).

### **Capital Asset and Debt Administration**

**Capital Assets.** At the end of the fiscal year ending June 30, 2007, governmental activities and business-type activities had total capital assets of \$49,733,856 (net of accumulated depreciation) invested in land, buildings, system improvements, machinery and equipment and recreation and park facilities. The increase in assets for governmental activities was due to purchase of new equipment. Business-type activities major increase was due to new construction.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### CITY OF ST. MARYS CAPITAL ASSETS (Net of Accumulated Depreciation)

	Governmental Activities	Business-type Activities	Total
	2007	2007	
Land	\$ 481,333	\$ 846,727	\$ 1,328,060
Construction in progress	20,644	3,245,219	3,265,863
Buildings	5,381,350	3,287,659	8,669,009
Improvements	5,663,084	-	5,663,084
Machinery & equipment	2,305,871	1,416,438	3,722,309
Infrastructure	1,521,319	25,564,212	27,085,531
Total	\$ 15,373,601	\$ 34,360,255	\$ 49,733,856

Additional information on the City's capital assets can be found in Note 6 on pages 35 and 36 of this report.

**Debt Administration.** The City's total long-term debt consists of revenue bonds, long-term notes, capital leases and compensated absences.

At the end of June 30, 2007, the City had \$2,354,485 of outstanding debt related to governmental activities and \$11,797,732 of outstanding debt related to business-type activities for a total of \$13,658,775 compared to the previous year's total of \$12,920,458. This is an increase of \$738,317.

Additional information on the City's debt can be found in Note 7 on pages 37 - 40 of this report.

#### Factors affecting the FY 2007 Budget:

The Mayor and Council of the City of St. Marys considered many factors when approving the City's FY 2008 budget and are very aware of present economic conditions and their effect on its citizens. The Mayor and Council chose to continue to use reserves and reductions in fund balances to fund operations and capital expenses in 2008. The City is experiencing growth and with growth, there are growing pains. The millage stayed the same and the City is using loans to help purchase needed equipment to ensure the citizens receive the best service. The City increased business type rates to cover new construction and debt service.

#### Requests for Information

This financial report is designed to provide a general overview the City of St. Marys' finances for citizens, taxpayers, customers, investors and creditors and all others with an interest in the City. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City Finance Department at the City of St. Marys, 418 Osborne Street, St. Marys, Georgia, 31558.

# CITY OF ST. MARYS, GEORGIA

## STATEMENT OF NET ASSETS JUNE 30, 2007

ASSETS	Primary Government			Component
	Governmental	Business-type	Total	Unit
				Industrial
	Activities	Activities		Development
				Authority
Cash and cash equivalents	\$ 6,369,270	\$ 4,668,737	\$ 11,038,007	\$ 9,306
Investments	876,784	589,797	1,466,581	343,308
Taxes receivable	141,282	-	141,282	-
Accounts receivable, net of allowances	-	452,323	452,323	-
Accrued interest receivable	240	-	240	7,217
Other receivables	40,681	-	40,681	-
Due from other governments	422,381	-	422,381	-
Internal balances	47,060	(47,060)	-	-
Other current assets	-	6,064	6,064	-
Restricted assets, cash and investments	-	2,129,610	2,129,610	-
Deferred charges, unamortized balance	-	94,230	94,230	-
Capital assets:				
Non-depreciable	501,978	4,091,946	4,593,924	79,500
Depreciable, net of accumulated depreciation	14,871,623	30,268,309	45,139,932	-
<b>Total assets</b>	<b>23,271,299</b>	<b>42,253,956</b>	<b>65,525,255</b>	<b>439,331</b>
<b>LIABILITIES</b>				
Accounts payable	161,271	114,828	276,099	-
Intergovernmental payable	198,617	-	198,617	-
Contracts payable	-	916,373	916,373	-
Retainages payable	-	124,651	124,651	-
Accrued liabilities	90,432	97,959	188,391	-
Customer deposits	-	506,965	506,965	-
Compensated absences due within one year	78,891	-	78,891	-
Compensated absences due in more than one year	236,675	-	236,675	-
Capital leases due within one year	675,037	-	675,037	-
Capital leases due in more than one year	145,808	-	145,808	-
Notes payable due within one year	662,819	566,948	1,229,767	-
Notes payable due in more than one year	870,821	7,825,784	8,696,605	-
Bonds payable due in more than one year	-	3,405,000	3,405,000	-
<b>Total liabilities</b>	<b>3,120,371</b>	<b>13,558,508</b>	<b>16,678,879</b>	<b>-</b>
<b>NET ASSETS</b>				
Investment in capital assets, net of related debt	13,019,116	22,562,523	35,581,639	79,500
Restricted for debt service	-	440,093	440,093	-
Restricted for renewal and extension	-	394,808	394,808	-
Unrestricted	7,131,812	5,298,024	12,429,836	359,831
<b>Total net assets</b>	<b>\$ 20,150,928</b>	<b>\$ 28,695,448</b>	<b>\$ 48,846,376</b>	<b>\$ 439,331</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF ST. MARYS, GEORGIA**

**STATEMENT OF ACTIVITIES**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>
			<u>Contributions</u>	<u>Contributions</u>
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 2,041,996	\$ 1,942,812	\$ -	\$ -
Public safety	3,969,907	490,937	8,149	4,840
Public works	2,438,935	84,344	-	86,727
Health and welfare	58,226	-	-	-
Judicial	253,957	-	-	-
Culture and recreation	1,006,264	458,273	-	-
Housing and development	788,967	-	21,569	-
Interest on long-term debt	80,298	-	-	-
Total governmental activities	<u>10,638,550</u>	<u>2,976,366</u>	<u>29,718</u>	<u>91,567</u>
Business-type activities:				
Water & sewer	4,342,075	3,945,534	-	3,151,297
Solid waste	916,596	1,030,991	-	-
Total business-type activities	<u>5,258,671</u>	<u>4,976,525</u>	<u>-</u>	<u>3,151,297</u>
Total primary government	<u>\$ 15,897,221</u>	<u>\$ 7,952,891</u>	<u>\$ 29,718</u>	<u>\$ 3,242,864</u>
<b>Component Unit: Industrial Development Authority</b>	<u>\$ 40,090</u>	<u>\$ 4,961</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Property taxes				
Franchise taxes				
Sales taxes				
Hotel/motel taxes				
Other taxes				
Unrestricted investment earnings				
Gain on sale of capital assets				
Miscellaneous				
Total general revenues				
Change in net assets				
Net assets, beginning of year				
Net assets, end of year				

The accompanying notes are an integral part of these financial statements.



Net (Expenses) Revenues and Changes in Net Assets			
Governmental Activities	Business-type Activities	Total	Component Unit Industrial Development Authority
\$ (99,184)	\$ -	\$ (99,184)	\$ -
(3,465,981)	-	(3,465,981)	-
(2,267,864)	-	(2,267,864)	-
(58,226)	-	(58,226)	-
(253,957)	-	(253,957)	-
(547,991)	-	(547,991)	-
(767,398)	-	(767,398)	-
(80,298)	-	(80,298)	-
(7,540,899)	-	(7,540,899)	-
-	2,754,756	2,754,756	-
-	114,395	114,395	-
-	2,869,151	2,869,151	-
(7,540,899)	2,869,151	(4,671,748)	-
-	-	-	(35,129)
3,223,663	-	3,223,663	-
724,213	-	724,213	-
2,860,254	-	2,860,254	-
131,118	-	131,118	-
948,736	-	948,736	-
198,602	227,310	425,912	10,559
9,492	13,877	23,369	175,734
-	17,222	17,222	-
8,096,078	258,409	8,354,487	186,293
555,179	3,127,560	3,682,739	151,164
19,595,749	25,567,888	45,163,637	288,167
\$ 20,150,928	\$ 28,695,448	\$ 48,846,376	\$ 439,331

# CITY OF ST. MARYS, GEORGIA

## BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2007

ASSETS	General Fund	SPLOST Fund	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 5,366,992	\$ 220,291	\$ 781,987	\$ 6,369,270
Investments	804,837	-	71,947	876,784
Taxes receivable	138,038	-	3,244	141,282
Accounts receivable	12,093	-	28,588	40,681
Accrued interest receivable	-	-	240	240
Due from other governments	407,721	-	14,660	422,381
Due from other funds	64,239	-	6,767	71,006
Advances to other funds	47,624	-	-	47,624
Total assets	<u>\$ 6,841,544</u>	<u>\$ 220,291</u>	<u>\$ 907,433</u>	<u>\$ 7,969,268</u>
<b>LIABILITIES AND FUND BALANCES (DEFICITS)</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 127,134	\$ 33,278	\$ 860	\$ 161,272
Intergovernmental payable	-	198,617	-	198,617
Accrued liabilities	82,790	-	891	83,681
Deferred revenues	121,794	-	-	121,794
Due to other funds	42,914	3,656	25,000	71,570
Total liabilities	<u>374,632</u>	<u>235,551</u>	<u>26,751</u>	<u>636,934</u>
<b>FUND BALANCES (DEFICIT)</b>				
Fund balances:				
Reserved for:				
Advances	47,624	-	-	47,624
Unreserved (deficit), reported in:				
General fund	6,419,288	-	-	6,419,288
Special revenue funds	-	-	772,682	772,682
Capital projects fund	-	(15,260)	108,000	92,740
Total fund balances (deficits)	<u>6,466,912</u>	<u>(15,260)</u>	<u>880,682</u>	<u>7,332,334</u>
Total liabilities and fund balances (deficits)	<u>\$ 6,841,544</u>	<u>\$ 220,291</u>	<u>\$ 907,433</u>	
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				15,373,601
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.				121,794
Long-term liabilities are not due and payable in the current period and, therefore are not reported in the funds.				<u>(2,676,801)</u>
Net assets of governmental activities				<u>\$ 20,150,928</u>

The accompanying notes are an integral part of these financial statements.

# CITY OF ST. MARYS, GEORGIA

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	General Fund	SPLOST Fund	Other Governmental Funds	Totals Governmental Funds
<b>Revenues</b>				
Taxes	\$ 7,283,980	\$ 474,463	\$ 131,391	\$ 7,889,834
Licenses and permits	1,057,400	-	-	1,057,400
Intergovernmental	-	-	121,285	121,285
Fines and forfeitures	490,937	-	-	490,937
Charges for services	427,928	-	-	427,928
Interest income	180,650	2,167	15,785	198,602
Other revenues	874,837	-	125,264	1,000,101
Total revenues	<u>10,315,732</u>	<u>476,630</u>	<u>393,725</u>	<u>11,186,087</u>
<b>Expenditures</b>				
Current:				
General government	1,748,274	-	3,990	1,752,264
Public safety	4,925,078	-	-	4,925,078
Public works	2,404,363	-	-	2,404,363
Health and welfare	95,256	-	-	95,256
Judicial	253,957	-	-	253,957
Culture and recreation	703,152	-	156,639	859,791
Housing and development	763,407	-	-	763,407
Capital outlay	-	474,464	-	474,464
Debt service:				
Principal	682,349	-	-	682,349
Interest and fiscal charges	81,872	-	-	81,872
Total expenditures	<u>11,657,708</u>	<u>474,464</u>	<u>160,629</u>	<u>12,292,801</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,341,976)</u>	<u>2,166</u>	<u>233,096</u>	<u>(1,106,714)</u>
<b>Other financing sources (uses):</b>				
Proceeds from sale of capital assets	9,492	-	-	9,492
Capital leases and notes payable	1,592,445	-	-	1,592,445
Transfers in	4,840	-	194,987	199,827
Transfers out	(70,056)	-	(129,771)	(199,827)
Total other financing sources (uses)	<u>1,536,721</u>	<u>-</u>	<u>65,216</u>	<u>1,601,937</u>
Net change in fund balances	194,745	2,166	298,312	495,223
Fund balances, beginning of year	<u>6,272,167</u>	<u>(17,426)</u>	<u>582,370</u>	<u>6,837,111</u>
Fund balances, end of year	<u>\$ 6,466,912</u>	<u>\$ (15,260)</u>	<u>\$ 880,682</u>	<u>\$ 7,332,334</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF ST. MARYS, GEORGIA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 495,223
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	1,014,921
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(1,850)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(910,096)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(43,019)
	<u>\$ 555,179</u>

The accompanying notes are an integral part of these financial statements.

# CITY OF ST. MARYS, GEORGIA

## GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2007

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 6,682,500	\$ 6,682,500	\$ 7,283,980	\$ 601,480
Licenses and permits	675,750	675,750	1,057,400	381,650
Fines and forfeitures	354,450	378,400	490,937	112,537
Interest	90,000	90,000	180,650	90,650
Charges for services	395,690	395,690	427,928	32,238
Miscellaneous	467,975	485,523	874,837	389,314
Total revenues	8,666,365	8,707,863	10,315,732	1,607,869
<b>Expenditures</b>				
Current:				
General government:				
Legislative	227,920	230,120	191,381	38,739
Executive	217,791	278,366	270,816	7,550
Finance	1,136,425	1,033,234	829,511	203,723
Building and plant	302,427	302,427	344,900	(42,473)
Human resources	120,758	120,758	111,666	9,092
Total general government	2,005,321	1,964,905	1,748,274	216,631
Public safety:				
Fire	1,416,109	2,360,803	2,154,040	206,763
Police	2,943,656	2,943,655	2,771,038	172,617
Total public safety	4,359,765	5,304,458	4,925,078	379,380
Public works:				
Public works administration	2,322,858	2,357,466	2,071,405	286,061
Highways and streets administration	270,000	270,000	270,764	(764)
Cemetery	61,200	61,200	62,194	(994)
Total public works	2,654,058	2,688,666	2,404,363	284,303
Judicial:				
Municipal court	229,417	253,367	253,957	(590)
Total judicial	229,417	253,367	253,957	(590)
Health and welfare:				
Senior citizens center	105,795	109,795	95,256	14,539
Total health and welfare	105,795	109,795	95,256	14,539
Culture and recreation:				
Culture and recreation administration	346,719	354,369	356,203	(1,834)
Parks administration	-	-	63,386	(63,386)
Library administration	319,744	319,744	283,563	36,181
Total culture and recreation	666,463	674,113	703,152	(29,039)
Housing and development:				
Protective inspection administration	248,563	248,563	243,772	4,791
Planning and zoning	300,988	300,988	241,520	59,468
Airport	50,000	113,000	89,095	23,905
Special facilities	96,720	96,720	81,048	15,672
Economic development	115,423	115,423	107,972	7,451
Total housing and development	811,694	874,694	763,407	111,287

(Continued)

# CITY OF ST. MARYS, GEORGIA

## GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2007

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>Expenditures (continued):</b>				
Debt service:				
Principal	\$ 702,490	\$ 717,190	\$ 682,349	\$ 34,841
Interest	108,367	111,667	81,872	29,795
Total debt service	810,857	828,857	764,221	64,636
Total expenditures	11,643,370	12,698,855	11,657,708	1,041,147
Deficiency of revenues under expenditures	(2,977,005)	(3,990,992)	(1,341,976)	2,649,016
<b>Other financing sources (uses)</b>				
Proceeds from sale of capital assets	-	-	9,492	9,492
Capital leases	1,081,010	1,743,103	1,592,445	(150,658)
Transfers in	50,000	398,695	4,840	(393,855)
Transfers out	-	-	(70,056)	(70,056)
Total other financing sources (uses)	1,131,010	2,141,798	1,536,721	(605,077)
Net change in fund balances	(1,845,995)	(1,849,194)	194,745	2,043,939
<b>Fund balances, beginning of year</b>	6,272,167	6,272,167	6,272,167	-
<b>Fund balances, end of year</b>	<u>\$ 4,426,172</u>	<u>\$ 4,422,973</u>	<u>\$ 6,466,912</u>	<u>\$ 2,043,939</u>

The accompanying notes are an integral part of these financial statements.

# CITY OF ST. MARYS, GEORGIA

## STATEMENT OF NET ASSETS PROPRIETARY FUNDS JUNE 30, 2007

ASSETS	Business-type Activities - Enterprise Funds		
	Water & Sewer Fund	Solid Waste Fund	Totals
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 4,018,574	\$ 650,163	\$ 4,668,737
Investments	589,797	-	589,797
Restricted cash and cash equivalents	988,653	-	988,653
Restricted investments	306,056	-	306,056
Accounts receivable, net	352,689	99,634	452,323
Accrued interest receivable	6,064	-	6,064
Due from other funds	24,035	36,244	60,279
Total current assets	6,285,868	786,041	7,071,909
<b>NONCURRENT ASSETS</b>			
Restricted cash and cash equivalents	445,109	-	445,109
Restricted investments	389,792	-	389,792
Deferred charges, unamortized bond issuance costs	94,230	-	94,230
Capital assets			
Non-depreciable	4,091,946	-	4,091,946
Depreciable, net of accumulated depreciation	30,104,862	163,447	30,268,309
Total noncurrent assets	35,125,939	163,447	35,289,386
Total assets	41,411,807	949,488	42,361,295
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES, PAYABLE FROM CURRENT ASSETS</b>			
Accounts payable	78,848	35,980	114,828
Contracts payable	916,373	-	916,373
Retainage payable	124,651	-	124,651
Accrued interest payable	24,019	-	24,019
Other accrued liabilities	54,611	19,329	73,940
Due to other funds	59,715	-	59,715
Current portion of notes payable	557,539	9,409	566,948
Total current liabilities, payable from current assets	1,815,756	64,718	1,880,474
<b>CURRENT LIABILITIES, PAYABLE FROM RESTRICTED ASSETS</b>			
Customer deposits	506,965	-	506,965
Total current liabilities, payable from restricted assets	506,965	-	506,965
<b>LONG-TERM LIABILITIES</b>			
Revenue bonds payable, net	3,405,000	-	3,405,000
Notes payable	7,825,784	-	7,825,784
Advances from other funds	12,206	35,418	47,624
Total liabilities	13,565,711	100,136	13,665,847
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	22,408,485	154,038	22,562,523
Restricted for debt service	440,093	-	440,093
Restricted for renewal and extension	394,808	-	394,808
Unrestricted	4,602,710	695,314	5,298,024
Total net assets	\$ 27,846,096	\$ 849,352	\$ 28,695,448

The accompanying notes are an integral part of these financial statements.

**CITY OF ST. MARYS, GEORGIA**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	Business-type Activities - Enterprise Funds		
	Water & Sewer Fund	Solid Waste Fund	Totals
<b>OPERATING REVENUE</b>			
Sanitation fees	\$ -	\$ 1,006,690	\$ 1,006,690
Water sales	1,892,840	-	1,892,840
Sewer sales	1,728,394	-	1,728,394
Reconnection fees	55,070	-	55,070
Construction fees	163,252	-	163,252
Penalties	85,941	-	85,941
Miscellaneous	20,037	24,301	44,338
Total operating revenues	3,945,534	1,030,991	4,976,525
<b>OPERATING EXPENSES</b>			
Personal services	1,200,458	390,610	1,591,068
Purchased and contracted services	530,378	316,753	847,131
Supplies	884,360	137,002	1,021,362
Depreciation	1,199,115	70,275	1,269,390
Total operating expenses	3,814,311	914,640	4,728,951
Operating income	131,223	116,351	247,574
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest income	220,243	7,067	227,310
Interest expense	(527,764)	(1,956)	(529,720)
Other nonoperating income	12,211	5,011	17,222
Gain on disposal of capital assets	8,848	5,029	13,877
Total nonoperating revenues (expenses)	(286,462)	15,151	(271,311)
Income (loss) before contributions	(155,239)	131,502	(23,737)
Capital contributions	3,151,297	-	3,151,297
	3,151,297	-	3,151,297
Change in net assets	2,996,058	131,502	3,127,560
<b>Total net assets, beginning of year</b>	24,850,038	717,850	25,567,888
<b>Total net assets, end of year</b>	\$ 27,846,096	\$ 849,352	\$ 28,695,448

The accompanying notes are an integral part of these financial statements.



**CITY OF ST. MARYS, GEORGIA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	Business-type Activities - Enterprise Funds		
	Water & Sewer Fund	Solid Waste Fund	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 4,027,884	\$ 1,019,132	\$ 5,047,016
Payments to suppliers	(1,557,222)	(412,829)	(1,970,051)
Payments to employees	(1,196,361)	(392,071)	(1,588,432)
Net cash provided by operating activities	1,274,301	214,232	1,488,533
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Advances from other funds	(23,749)	(30,795)	(54,544)
Other nonoperating income	12,211	5,011	17,222
Net cash (used in) noncapital financing activities	(11,538)	(25,784)	(37,322)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Principal payments on revenue bonds payable	(215,000)	-	(215,000)
Principal payments on notes payable	(477,577)	(18,308)	(495,885)
Issuance of notes payable	1,086,548	-	1,086,548
Interest paid	(517,657)	(1,956)	(519,613)
Capital contributions	1,568,862	-	1,568,862
Purchase of capital assets	(3,249,751)	-	(3,249,751)
Proceeds from sale of capital assets	8,848	5,029	13,877
Net cash (used in) capital and related financing activities	(1,795,727)	(15,235)	(1,810,962)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of investments	(356,504)	-	(356,504)
Interest received	217,879	7,067	224,946
Net cash provided by (used in) investing activities	(138,625)	7,067	(131,558)
Net increase (decrease) in cash	(671,589)	180,280	(491,309)
Cash and cash equivalents, beginning of year	6,123,925	469,883	6,593,808
Cash and cash equivalents, end of year	\$ 5,452,336	\$ 650,163	\$ 6,102,499
<b>Classified as:</b>			
Cash and cash equivalents	\$ 4,018,574	\$ 650,163	\$ 4,668,737
Restricted assets:			
Cash and cash equivalents	1,433,762	-	1,433,762
	\$ 5,452,336	\$ 650,163	\$ 6,102,499

**NONCASH CAPITAL FINANCING ACTIVITIES**

Capital assets of \$1,582,434 in the Water & Sewer Fund were acquired through contributions from developers.

(Continued)

# CITY OF ST. MARYS, GEORGIA

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2007

	Business-type Activities - Enterprise Funds		
	Water & Sewer Fund	Solid Waste Fund	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Operating income	\$ 131,223	\$ 116,351	\$ 247,574
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,199,115	70,275	1,269,390
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	51,615	(11,859)	39,756
Decrease in prepaid expenses	73,339	32,698	106,037
Decrease in due from other funds	112,649	9,067	121,716
Increase (decrease) in accounts payable	(567,393)	6,160	(561,233)
Increase in contracts payable	201,416	-	201,416
Increase in retainages payable	23,101	-	23,101
Increase (decrease) in accrued liabilities	4,097	(1,461)	2,636
Increase in customer deposits	30,735	-	30,735
Increase (decrease) in due to other funds	14,404	(6,999)	7,405
Net cash provided by operating activities	<u>\$ 1,274,301</u>	<u>\$ 214,232</u>	<u>\$ 1,488,533</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF ST. MARYS, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of St. Marys, Georgia (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

**A. Reporting Entity**

The City was incorporated August 15, 1910, under the provisions of the laws of the State of Georgia. A new City charter was adopted February 8, 1981. The City operates under a Council/City Manager form of government and provides the following services to its citizens: public safety, public works, recreation, public improvements, and general and administrative services.

As required by accounting principles generally accepted in the United States of America, these financial statements present the City of St. Marys, Georgia (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City. Blended component units, although legally separate entities, are, in substance, part of the City's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

Blended Component Unit. The St. Marys Convention & Visitors Bureau (the "Bureau") is reported as a blended component unit in the City's financial statements because the City maintains financial accountability over the Bureau and the Bureau almost exclusively benefits the City. The St. Marys Convention & Visitors Bureau is reported as a special revenue fund. Separate financial statements are not prepared for the Bureau.

Discretely Presented Component Unit. The Industrial Development Authority of St. Marys (the "Authority") is governed by a seven member board, the majority of which are appointed by St. Marys' City Council. The City is able to significantly influence the programs, projects and activities of the Authority. The Authority is presented as a governmental fund-type component unit. Separate financial statements are not prepared for the Authority.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### B. Government-wide and Fund Financial Statements (Continued)

(For the most part, the effect of interfund activity has been removed from these statements). Government-wide financial statements do not provide information by fund or account group, but distinguish between the City's governmental activities and business-type activities.

*Governmental activities*, which are normally supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for services. The statement of net assets includes non-current assets which were previously reported in the General Fixed Assets Account Group and non-current liabilities previously reported in the General Long-Term Debt Account Group. In addition, the government-wide statement of activities reflects depreciation expense on the City's capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not considered program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

#### C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **SPLOST Fund** accounts for the proceeds and expenditures of a one percent Special Purpose Local Option Sales Tax.

The City reports the following major proprietary funds:

The **Water & Sewer Fund** accounts for the activities necessary to provide water and sewer services to the City's residents.

The **Solid Waste Fund** accounts for the fees and expenses associated with garbage collection and disposal services provided to the City's residents.

Additionally, the City reports the following fund type:

The **special revenue funds** account for revenue sources that are legally restricted to expenditure for specific purposes.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Amounts reported as *program revenues* include 1) charges for services provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges for goods and services provided. Operating expenses of the enterprise funds include the cost of these goods and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

#### D. Budgets

Annual appropriated budgets are adopted for all funds. The budgets for the proprietary funds are for management control purposes and are not required to be reported. Budgets of governmental funds are adopted on a modified accrual basis, which is consistent with accounting principles generally accepted in the United States of America for governmental funds. All appropriations lapse at fiscal year end. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is not employed by the City.

## NOTES TO FINANCIAL STATEMENTS

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### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **E. Cash and Investments**

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with an original maturity of three months or less from the date of acquisition. State statutes authorize the City to invest in the following: (1) obligations of Georgia or any other state; (2) obligations of the United States; (3) obligations fully insured or guaranteed by the United States government or one of its agencies; (4) obligations of any corporation of the United States government; (5) prime bankers' acceptances; (6) the State of Georgia local government investment pool; (7) repurchase agreements; and (8) obligations of any other political subdivisions of the State of Georgia. Any investment or deposit in excess of the federal depository insured amounts must be collateralized by an equivalent amount of state or U.S. obligations. Investments are reported at fair value as determined by quoted market prices.

#### **F. Receivables and Payables**

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

#### **G. Restricted Assets**

Certain proceeds of revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on both the government-wide and proprietary fund financial statements because their use is limited by applicable bond covenants.

#### **H. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2007 are recorded as prepaid items in both government-wide and fund financial statements.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### I. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. In accordance with GASB 34, the City has elected not to include infrastructure acquired prior to July 1, 2003.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the City are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20-50
Infrastructure	30
Improvements	5-50
Machinery and equipment	3-10

#### J. Compensated Absences

It is the City's policy to permit employees to accumulate a limited amount of earned but unused personal leave. All personal leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.



## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### K. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the term of the bonds using the effective interest method. Bonds payable are reported net of the applicable discount or premium. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### L. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

#### M. Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS

#### A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$2,676,801 difference are as follows:

Accrued interest payable	\$ 6,750
Capital leases payable	820,845
Notes payable	1,533,640
Compensated absences	<u>315,566</u>
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u>\$ 2,676,801</u>

#### B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense.” The details of this \$1,014,921 difference are as follows:

Capital outlay	\$ 2,036,264
Depreciation expense	<u>(1,021,343)</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 1,014,921</u>

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS (CONTINUED)

#### B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities (Continued)

Another element of that reconciliation explains that "The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets." The details of this \$910,096 difference are as follows:

Capital leases	\$ (627,485)
Notes payable	(964,960)
Principal retirement of long-term debt	<u>682,349</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u><u>\$ (910,096)</u></u>

Another element of that reconciliation explains that "Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds." The details of this \$43,019 difference are as follows:

Compensated absences	\$ (44,593)
Accrued interest	<u>1,574</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u><u>\$ (43,019)</u></u>

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 3. LEGAL COMPLIANCE - BUDGETS

The City of St. Marys, Georgia employs the following procedures in establishing its annual budget:

1. Prior to June 1, the Budget Committee/City Manager submits to the City Council a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means for financing them.
2. Prior to any action by the Council, the Council holds a public hearing on the budget, giving notice in the official newspaper of the City, at least 10 days prior to such hearing.
3. The budget is then revised and adopted or amended by the Council at a regular meeting in June.
4. This budget may be revised during the year only by formal action of the Council in a regular or special called meeting. No increase to the budget may be made without a provision for financing such an increase.
5. Budgetary control is exercised at the department, function or activity, and major object of expenditures group for capital and grant projects within each fund. The legal level of budgetary control is the department level. Budgets for the City may be increased or decreased as the City Council deems appropriate. Budgets are adopted for all governmental and proprietary fund types. The supplementary budgetary appropriations made during the year were not material.

For the year ended June 30, 2007, the following general fund departments had excesses of actual expenditures over appropriations:

<u>Department</u>	<u>Excess</u>
Building and plant	\$ 42,473
Highways and streets administration	764
Cemetery	994
Municipal court	590
Culture and recreation administration	1,834
Parks administration	63,386

The excesses of expenditures over appropriations were funded by greater than anticipated revenues.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 4. DEPOSITS AND INVESTMENTS

**Credit Risk.** State statutes authorize the City to invest in the following (1) obligations of Georgia or any other state; (2) obligations of the United States; obligations fully insured or guaranteed by the United States government or one of its agencies; (4) obligations of any corporation of the United States government; (5) prime bankers' acceptances; (6) obligations of any other political subdivision of the State of Georgia local government investment pool; (7) repurchase agreements; and (8) the State of Georgia local government investment pool.

Georgia Fund 1, created by OCGA 36-83-8, is a stable net asset value investment pool which follows Standard and Poor's criteria for AAAM rated money market funds. However, Georgia Fund 1 operates in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940 and is considered to be a 2a-7 like pool. The pool is not registered with the SEC as an investment company. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal (\$1.00 per share value). Net asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participants' shares sold and redeemed based on a \$1.00 per share. The fair value of the City's position in the pool is the same as the value of pool shares (\$1 per share value). The regulatory oversight agency for Georgia Fund 1 is the Office of Treasury and Fiscal Services of the State of Georgia. As of June 30, 2007, the City's investment in Georgia Fund 1 was rated AAAM by Standard & Poor's.

As of June 30, 2007, the City had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Georgia Fund 1	15 day weighted average	\$ 1,784,426
Certificates of deposit	6 months - 12 months	378,003
		<u>\$ 2,162,429</u>

**Interest rate risk.** As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy generally limits all operating investments to instruments that mature within one year. Asset investment funds shall be diversified to eliminate risk of loss resulting from the concentration of assets in a specific maturity, a specific issuer or a specific class of maturities.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)

**Custodial credit risk – deposits.** Custodial risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal and state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of June 30, 2007, the City's deposits were fully collateralized in compliance with the state requirements.

### NOTE 5. RECEIVABLES

Property taxes are levied by the City based on the assessed value of property as of January 1. Property taxes attach as an enforceable lien on property as of December 16, 2006. Taxes were levied on October 10, 2006 and payable on or before December 15, 2006. Property taxes not collected by December 15th are considered and reported as delinquent taxes receivable. Property taxes levied for the year ending June 30, 2007, are recorded as receivables, net of estimated uncollectibles.

In the governmental funds, the net receivables collected during the year ended June 30, 2007, and expected to be collected by August 31, 2007, are recognized as revenues for the year ended June 30, 2007, whereas, net receivables estimated to be collectible subsequent to August 31, 2007, are recorded as revenue when received.

Receivables at June 30, 2007, for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

	General	Water and Sewer	Solid Waste	Nonmajor Funds
Receivables:				
Taxes	\$ 163,680	\$ -	\$ -	\$ 3,244
Accounts	12,093	639,496	104,878	28,588
Accrued interest	-	-	-	240
Due from other governments	407,721	-	-	14,660
Less allowance for uncollectibles	(25,642)	(286,807)	(5,244)	-
Net total receivable	<u>\$ 557,852</u>	<u>\$ 352,689</u>	<u>\$ 99,634</u>	<u>\$ 46,732</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, is as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 481,333	\$ -	\$ -	\$ -	\$ 481,333
Construction in progress	197,464	-	-	(176,819)	20,645
Total	<u>678,797</u>	<u>-</u>	<u>-</u>	<u>(176,819)</u>	<u>501,978</u>
Capital assets, being depreciated:					
Infrastructure	1,660,830	-	-	-	1,660,830
Buildings	7,176,486	-	-	176,819	7,353,305
Improvements	8,685,632	-	-	-	8,685,632
Machinery and equipment	6,374,165	2,036,264	(276,512)	-	8,133,917
Total	<u>23,897,113</u>	<u>2,036,264</u>	<u>(276,512)</u>	<u>176,819</u>	<u>25,833,684</u>
Less accumulated depreciation for:					
Infrastructure	(84,151)	(55,361)	-	-	(139,512)
Buildings	(1,729,772)	(242,185)	-	-	(1,971,957)
Improvements	(2,733,825)	(288,723)	-	-	(3,022,548)
Machinery and equipment	(5,669,482)	(435,074)	276,512	-	(5,828,044)
Total	<u>(10,217,230)</u>	<u>(1,021,343)</u>	<u>276,512</u>	<u>-</u>	<u>(10,962,061)</u>
Total capital assets, being depreciated, net	<u>13,679,883</u>	<u>1,014,921</u>	<u>-</u>	<u>-</u>	<u>14,871,623</u>
Governmental activities capital assets, net	<u>\$ 14,358,680</u>	<u>\$ 1,014,921</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,373,601</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Business-type activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 840,672	\$ -	\$ -	\$ 6,055	\$ 846,727
Construction in progress	6,272,246	2,525,773	-	(5,552,800)	3,245,219
Total	7,112,918	2,525,773	-	(5,546,745)	4,091,946
Capital assets, being depreciated:					
Buildings	5,560,943	-	-	-	5,560,943
Infrastructure	28,611,314	1,582,435	-	5,546,745	35,740,494
Machinery and equipment	3,841,063	723,977	(174,960)	-	4,390,080
Total	38,013,320	2,306,412	(174,960)	5,546,745	45,691,517
Less accumulated depreciation for:					
Buildings	(2,165,909)	(107,375)	-	-	(2,273,284)
Infrastructure	(9,371,292)	(804,990)	-	-	(10,176,282)
Machinery and equipment	(2,791,577)	(357,025)	174,960	-	(2,973,642)
Total	(14,328,778)	(1,269,390)	174,960	-	(15,423,208)
Total capital assets, being depreciated, net	23,684,542	1,037,022	-	5,546,745	30,268,309
Business-type activities capital assets, net	\$ 30,797,460	\$ 3,562,795	\$ -	\$ -	\$ 34,360,255

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities:	
General government	\$ 324,617
Public safety	384,791
Public works	144,247
Culture and recreation	115,714
Health and welfare	4,115
Housing and development	47,859
Total depreciation expense - governmental activities	\$ 1,021,343
Business-type activities:	
Water and sewer	\$ 1,199,115
Sanitation	70,275
Total depreciation expense - business-type activities	\$ 1,269,390

**Component Unit:** The Industrial Development Authority maintains a parcel of land with a historical cost of \$79,500.



## NOTES TO FINANCIAL STATEMENTS

### NOTE 7. LONG-TERM DEBT AND CAPITAL LEASES

#### Revenue Bonds:

On December 29, 1992, the City issued Water and Sewer Refunding Revenue Bonds, Series 1992 with an average interest rate of 5.3865% to advance refund \$4,045,000 of outstanding Series 1988 Water and Sewer Capital Improvement and Refunding Revenue Bonds with an average interest rate of 7.6117%. This refunding represented a partial refunding, leaving \$825,000 in principal outstanding for the Series 1988 bonds. All net revenues of the system and impact fees are pledged to secure the Series 1992 bonds.

The net proceeds were used to purchase U.S. Government Securities that were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments for the refunded portion of the Series 1988 bonds. As a result, the partially refunded Series 1988 bonds are considered to be defeased and the liability for those bonds has been removed from the City's financial statements.

Revenue bond debt service requirements to maturity are as follows:

Fiscal year ending June 30,	Principal	Interest	Total
2008	\$ -	\$ 104,250	\$ 104,250
2009	225,000	201,638	426,638
2010	240,000	187,425	427,425
2011	255,000	172,266	427,266
2012	270,000	156,188	426,188
2013-2017	1,620,000	504,088	2,124,088
2018-2019	795,000	49,459	844,459
Total	<u>\$ 3,405,000</u>	<u>\$ 1,375,314</u>	<u>\$ 4,780,314</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 7. LONG-TERM DEBT AND CAPITAL LEASES (CONTINUED)

#### Notes Payable:

The City has also incurred debt to the Georgia Environmental Facilities Authority for construction of various water and sewer system projects and various improvements to the water and sewer system. Included with these notes is a construction line of credit agreement for \$4,750,000, of which \$4,519,224 had been drawn as of June 30, 2007. Additionally, the City has incurred debt to a local financial institution for the purchase of vehicles and equipment used in the water and sewer and solid waste operations. These notes are as follows at June 30, 2007:

<u>Interest Rate</u>	<u>Term</u>	<u>Fiscal Year Due Date</u>	<u>Amount</u>
2.00%	10 years	2012	\$ 267,816
5.60%	15 years	2013	83,230
4.76%	20 years	2020	359,826
4.55%	20 years	2021	2,575,452
3.00%	20 years	2025	4,519,224
4.05%	5 years	2012	572,658
3.69%	5 years	2008	5,117
3.69%	5 years	2008	9,409
			<u>\$ 8,392,732</u>

The City has also entered into other notes payable in the total original amount of \$3,474,966 with interest rates ranging from 3.69% to 4.41% for the financing of certain equipment and the renovation and improvement of the City's facilities. The principal of these loans is to be repaid in monthly and quarterly payments with maturities ranging from October 2007 to October 2011.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 7. LONG-TERM DEBT AND CAPITAL LEASES (CONTINUED)

The City's notes payable debt service requirements to maturity are as follows:

Fiscal year ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2007	\$ 662,819	\$ 52,200	\$ 566,948	\$ 294,581
2008	438,734	26,831	573,797	273,003
2009	224,972	13,597	594,722	252,080
2010	171,413	5,094	616,902	229,900
2011	35,702	450	510,985	208,448
2013-2017	-	-	2,322,286	786,029
2018-2022	-	-	2,429,622	320,619
2023-2025	-	-	777,470	29,572
Total	<u>\$ 1,533,640</u>	<u>\$ 98,172</u>	<u>\$ 8,392,732</u>	<u>\$ 2,394,232</u>

#### Capital Leases:

The City has entered into lease agreements as lessee for financing the acquisition of machinery and equipment. The lease agreements qualify as capital leases for accounting purposes (titles transfer at the end of the lease terms) and, therefore, have been recorded at the present values of the future minimum lease payments as of the date of their inception. Interest rates range from 5.3% to 10.6%. The following is an analysis of leased assets under capital leases as of June 30, 2007:

	<u>Governmental Activities</u>
Machinery and equipment	<u>\$ 991,811</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 7. LONG-TERM DEBT AND CAPITAL LEASES (CONTINUED)

The City's total capital lease debt service requirements to maturity are as follows:

	<u>Governmental Activities</u>
Fiscal Year Ending June 30,	
2008	\$ 716,842
2009	54,121
2010	48,184
2011	45,349
2012	<u>9,191</u>
Total minimum lease payments	873,687
Less amount representing interest	<u>52,842</u>
Present value of future minimum lease payments	<u><u>\$ 820,845</u></u>

Long-term liability activity for the year ended June 30, 2007 was as follows:

	<u>Beginning Balance</u>		<u>Additions</u>		<u>Reductions</u>		<u>Ending Balance</u>		<u>Due Within One Year</u>
<b>Governmental activities:</b>									
Capital leases	\$ 239,228	\$	627,485	\$	(45,868)	\$	820,845	\$	675,037
Notes payable	1,205,161		964,960		(636,481)		1,533,640		662,819
Compensated absences	<u>270,972</u>		<u>377,300</u>		<u>(332,707)</u>		<u>315,566</u>		<u>78,891</u>
Governmental activity									
Long-term liabilities	<u>\$ 1,715,361</u>	\$	<u>1,969,745</u>	\$	<u>(1,015,056)</u>	\$	<u>2,670,051</u>	\$	<u>1,416,747</u>
<b>Business-type activities:</b>									
Revenue bonds	\$ 3,620,000	\$	-	\$	(215,000)	\$	3,405,000	\$	-
Notes payable	<u>7,802,069</u>		<u>1,086,548</u>		<u>(495,885)</u>		<u>8,392,732</u>		<u>566,948</u>
Business-type activity									
Long-term liabilities	<u>\$ 11,422,069</u>	\$	<u>1,086,548</u>	\$	<u>(710,885)</u>	\$	<u>11,797,732</u>	\$	<u>566,948</u>

For governmental activities, compensated absences are generally liquidated by the General Fund.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2007 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water & Sewer Fund	\$ 35,583
Solid Waste Fund	Water & Sewer Fund	24,132
General Fund	Nonmajor governmental funds	25,000
Nonmajor governmental funds	General Fund	6,767
Water & Sewer Fund	General Fund	24,035
General Fund	SPLOST Fund	3,656
Solid Waste Fund	General Fund	12,112
		<u>\$ 131,285</u>

Advances to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Solid Waste Fund	\$ 35,418
General Fund	Water & Sewer Fund	12,206
		<u>\$ 47,624</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Nonmajor governmental funds	\$ 4,840
Nonmajor governmental funds	General Fund	70,056
Nonmajor governmental funds	Nonmajor governmental funds	124,931
		<u>\$ 199,827</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires collecting them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the general fund to finance various programs accounts for in other funds in accordance with budgetary authorizations.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 9. PENSION PLANS

#### Plan Description

The City terminated its non-contributory pension plan through the Georgia Municipal Employees Benefit System (GMEBS) in 1996 and established a defined contribution plan. Prior to termination, the City had adopted an agent multiple-employer non-contributory defined benefit pension plan, the City of St. Marys Retirement Plan (the "Plan") through GMEBS covering all employees with a service period of one year or more. The Plan provides retirement, disability, and death benefits to plan members and beneficiaries and is administered by the Georgia Municipal Association. The City has authorized the GMEBS board to establish and amend all plan provisions. Employees were eligible for participation after one year of continuous service and become vested after 10 years of service. GMEBS issues a publicly available financial report that includes financial statements and required supplementary information for the City of St. Marys Retirement Plan. That report may be obtained by writing to Georgia Municipal Association, Employee Benefit Section, 201 Pryor Street, SW, Atlanta, Georgia 30303.

#### Funding Policy

The funding policy for the City of St. Marys Retirement Plan is to contribute an actuarially determined amount equal to the recommended contribution each year. The City makes all contributions to the City of St. Marys Retirement Plan. The City is required to contribute at an actuarially determined rate; the current rate is 6.99% of annual covered payroll.

#### Annual Pension Cost

For the year ended June 30, 2007, the City's annual pension cost was \$7,947 for the City of St. Marys Retirement Plan. Recommended contributions of \$7,947 were determined as part of the March 1, 2007, actuarial valuation, using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 8.0% investment rate of return, (b) projected salary increases for inflation of 5.0% per year and for merit or seniority of .5% per year, and (c) no postretirement benefit increases or cost of living adjustments. The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 1982, and current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions, and 30 years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods, if applicable, are closed for this plan year. The method for determining the actuarial value of assets is part of GMEBS actuarial funding policy. It produces an adjusted actuarial value of assets.

The smoothing technique gradually incorporates investment performance that exceeds or falls short of the expected return of 8%, which is the valuation's investment return assumption.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 9. PENSION PLANS (CONTINUED)

#### Annual Pension Cost (Continued)

#### Trend Information

Trend information which gives an indication of the progress made in accumulating sufficient assets to pay benefits when due, is presented below.

Fiscal Year Ending	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
6/30/2005	10,864	100%	\$ -
6/30/2006	15,787	100%	-
6/30/2007	7,947	100%	-

#### REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	(Overfunded) Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
3/1/05	1,250,866	1,124,005	(126,861)	111.3%	103,480	-122.6%
3/1/06	1,235,311	1,133,925	(101,386)	108.9%	107,577	-94.2%
3/1/07	1,226,697	1,148,550	(78,147)	106.8%	113,631	-68.8%

## NOTES TO FINANCIAL STATEMENTS

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### **NOTE 10. DEFINED CONTRIBUTION PENSION PLAN**

The City of St. Marys has established a defined contribution pension plan (the Plan) that is administered by the Variable Annuity Life Insurance Company for all of its full-time employees. The Plan provides retirement, disability, and death benefits to plan participants and beneficiaries. Plan provisions and contribution requirements are established and may be amended by the City Council. At June 30, 2007, there were 129 plan members.

Employees are not required to contribute to the Plan. Employees may contribute a portion of their gross salary up to a maximum of \$15,500 for the year ended June 30, 2007. The Plan allows employees to increase, decrease, stop and restart deferrals as often as they wish without penalties or fees. The City contributes an amount equal to 4% of each participant's compensation. Total employer contributions for the year ended June 30, 2007, were \$234,783.

### **NOTE 11. JOINT VENTURE**

Under Georgia law, the City, in conjunction with other cities and counties in the coastal Georgia area, is a member of the Coastal Georgia Regional Development Center (RDC) and is required to pay annual dues thereto. During the year ended June 30, 2007, the City paid \$12,385 in such dues. Membership in the ARC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of regional development commissions in Georgia. The RDC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of a regional development commission. Separate financial statements may be obtained from the Coastal Georgia Regional Development Center, P.O. Box 1917, Brunswick, Georgia 31521.

### **NOTE 12. RELATED ORGANIZATIONS**

The City's council is responsible for the appointment of a board member to the Southeast Georgia Consolidated Housing Authority. However, the City has no further accountability for this organization. During the year ended June 30, 2007, the City did not provide any contributions to the Southeast Georgia Consolidated Housing Authority.



## NOTES TO FINANCIAL STATEMENTS

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### NOTE 13. RISK MANAGEMENT

The City is exposed to various risks of losses related to: torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency Property and Liability Insurance Fund and the Georgia Municipal Association Group Self-Insurance Workers' Compensation Fund, public entity risk pools currently operating as common risk management and insurance programs for member local governments.

As part of these risk pools, the City is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The City is also to allow the pool's agents and attorneys to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the funds.

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member City contract and in accordance with the workers' compensation law of Georgia. The funds are to pay all cost taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

Settled claims in the past three years have not exceeded the coverages.

### NOTE 14. COMMITMENTS AND CONTINGENCIES

#### Litigation

The City is a defendant in certain legal actions in the nature of claims for alleged damages to persons and property and other similar types of actions arising in the course of City operations. Liability, if any, which might result from these proceedings, would not, in the opinion of management and legal counsel, have a material adverse effect on the financial position of the City.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 14. COMMITMENTS AND CONTINGENCIES (CONTINUED)

#### Grant Contingencies

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to the disallowance of certain expenditures previously reimbursed by those agencies. Based upon prior experience, management of the City believes such disallowances, if any, will not be significant.

#### Construction Commitments

In addition to the liabilities enumerated in the balance sheet at June 30, 2007, the City has contractual commitments on uncompleted contracts of approximately \$14,531,427.

### NOTE 15. HOTEL/MOTEL LODGING TAX

The City imposes a hotel/motel tax on lodging facilities within the City. The tax was assessed at 6%. Expenditures of the tax were used to promote tourism as required by O.C.G.A. 48-13-50. The City spent 100% of the amount collected for the promotion of tourism. A summary of hotel/motel tax transactions for the fiscal year ended June 30, 2007, is as follows:

Balance, July 1, 2006	\$ 22,401
Fiscal year 2007 collections	131,118
Fiscal year 2007 disbursements	<u>(124,931)</u>
Balance, June 30, 2007	<u>\$ 28,588</u>

### NOTE 16. SUBSEQUENT EVENT

In December 2007, the City entered into an intergovernmental contract with the Camden County Public Service Authority (the "Authority"). The Authority agreed to issue Series 2007 Variable Rate Demand Revenue Bonds (the "Series 2007 Bonds") in the aggregate principal amount of \$43,695,000 for acquiring, constructing, and equipping a portion of the water and sewer system of the City. The City has agreed to pay the Authority amounts sufficient to pay the debt service on the Series 2007 Bonds.

**CITY OF ST. MARYS, GEORGIA**  
**NONMAJOR GOVERNMENTAL FUNDS**

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**Special Revenue Funds**

**Hotel/Motel Tax Fund** – To account for excise taxes on lodgings and accommodations.

**Convention & Visitors Bureau** – To account for monies received to operate tourism in the City.

**Multiple Grants Fund** – To account for small grants received from various agencies.

**Fire Tax District Fund** – To account for proceeds of a special fire district tax levy and expenditures of these proceeds.

**Capital Projects Fund**

**Capital Projects Fund** – To account for the construction of sidewalks and paving of streets in the City.

**CITY OF ST. MARYS, GEORGIA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2007**

ASSETS	Special Revenue			
	Hotel/Motel Tax Fund	Convention & Visitors Bureau	Multiple Grants Fund	Fire Tax District Fund
Cash and cash equivalents	\$ -	\$ 33,544	\$ 476,768	\$ 163,675
Investments	-	-	-	71,947
Taxes receivable	-	-	-	3,244
Accounts receivable	28,588	-	-	-
Intergovernmental receivables	-	-	14,660	-
Accrued interest receivable	-	-	-	240
Due from other funds	-	2,119	-	4,648
Total assets	<u>\$ 28,588</u>	<u>\$ 35,663</u>	<u>\$ 491,428</u>	<u>\$ 243,754</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 860	\$ -	\$ -
Accrued liabilities	-	891	-	-
Due to other funds	-	-	25,000	-
Total liabilities	-	1,751	25,000	-
<b>FUND BALANCE</b>				
Unreserved	28,588	33,912	466,428	243,754
	<u>28,588</u>	<u>33,912</u>	<u>466,428</u>	<u>243,754</u>
Total liabilities and fund balance	<u>\$ 28,588</u>	<u>\$ 35,663</u>	<u>\$ 491,428</u>	<u>\$ 243,754</u>

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Capital Projects Fund	Nonmajor Governmental Funds
\$ 108,000	\$ 781,987
-	71,947
-	3,244
-	28,588
-	14,660
-	240
-	6,767
<u>\$ 108,000</u>	<u>\$ 907,433</u>

\$ -	\$ 860
-	891
-	25,000
<u>-</u>	<u>26,751</u>

<u>108,000</u>	<u>880,682</u>
<u>108,000</u>	<u>880,682</u>
<u>\$ 108,000</u>	<u>\$ 907,433</u>

**CITY OF ST. MARYS, GEORGIA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	Special Revenue			
	Hotel/Motel Tax Fund	Convention & Visitors Bureau	Multiple Grants Fund	Fire Tax District Fund
<b>REVENUES</b>				
Taxes	\$ 131,118	\$ -	\$ -	\$ 273
Intergovernmental	-	-	121,285	-
Interest	-	893	4,895	9,997
Miscellaneous	-	17,264	-	-
Total revenues	131,118	18,157	126,180	10,270
<b>EXPENDITURES</b>				
Current				
General government	-	-	3,990	-
Culture and recreation	-	156,639	-	-
Total expenditures	-	156,639	3,990	-
Excess (deficiency) of revenues over (under) expenditures	131,118	(138,482)	122,190	10,270
Other financing sources (uses)				
Transfers in	-	133,931	61,056	-
Transfers out	(124,931)	-	(4,840)	-
Total other financing sources (uses)	(124,931)	133,931	56,216	-
Net change in fund balances	6,187	(4,551)	178,406	10,270
<b>FUND BALANCE, beginning of year</b>	22,401	38,463	288,022	233,484
<b>FUND BALANCE, end of year</b>	\$ 28,588	\$ 33,912	\$ 466,428	\$ 243,754

<b>Capital Projects Fund</b>	<b>Nonmajor Governmental Funds</b>
\$ -	\$ 131,391
-	121,285
-	15,785
108,000	125,264
108,000	393,725
-	3,990
-	156,639
-	160,629
108,000	233,096
-	194,987
-	(129,771)
-	65,216
108,000	298,312
-	582,370
\$ 108,000	\$ 880,682

# CITY OF ST. MARYS, GEORGIA

## SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX - 2002 ISSUE FOR THE YEAR ENDED JUNE 30, 2007

<u>Project</u>	<u>Original Estimated Cost</u>	<u>Current Estimated Cost</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
City Sidewalks/Streets	\$ 3,930,000	\$ 3,930,000	\$ 844,254	\$ 133,285	\$ 977,539
Drainage	3,500,000	3,500,000	601,597	313,956	915,553
Downtown Multi-Media Center	300,000	300,000	33,093	27,223	60,316
City Library Expansion	588,000	588,000	209,919	-	209,919
Totals	<u>\$ 8,318,000</u>	<u>\$ 8,318,000</u>	<u>\$ 1,688,863</u>	<u>\$ 474,464</u>	<u>\$ 2,163,327</u>



**CITY OF ST. MARYS, GEORGIA**  
**BALANCE SHEET**  
**COMPONENT UNIT - INDUSTRIAL DEVELOPMENT AUTHORITY**  
**FOR THE YEAR ENDED JUNE 30, 2007**

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<b>ASSETS</b>	
Cash and cash equivalents	\$ 9,306
Investments	343,308
Accrued interest receivable	<u>7,217</u>
Total assets	<u>\$ 359,831</u>
<b>FUND BALANCE</b>	
Unreserved	<u>\$ 359,831</u>
Total fund balance	<u>\$ 359,831</u>

**CITY OF ST. MARYS, GEORGIA**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
COMPONENT UNIT - INDUSTRIAL DEVELOPMENT AUTHORITY  
JUNE 30, 2007**

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**REVENUES**

Rent revenue	\$ 4,961
Interest revenue	<u>10,559</u>
Total revenues	<u>15,520</u>

**EXPENDITURES**

Current	
Housing and development	<u>40,090</u>
Deficiency of revenues under expenditures	<u>(24,570)</u>

**OTHER FINANCING SOURCES**

Proceeds from sale of capital assets	<u>255,234</u>
Net change in fund balance	230,664

<b>FUND BALANCE, beginning of year</b>	<u>129,167</u>
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<b>FUND BALANCE, end of year</b>	<u><u>\$ 359,831</u></u>
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## COMPLIANCE SECTION

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

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**To the Honorable Mayor and City Council  
City of St. Marys, Georgia**

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of St. Marys, Georgia as of and for the year ended June 30, 2007, which collectively comprise the City of St. Marys, Georgia's basic financial statements and have issued our report thereon dated December 31, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of St. Marys, Georgia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2007-1 to be a significant deficiency in internal control over financial reporting.

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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of St. Marys, Georgia in a separate letter dated December 31, 2007.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the audit committee, management, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Mauldin & Jenkins, LLC*

Macon, Georgia  
December 31, 2007

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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**To the Honorable Mayor and City Council  
City of St. Marys, Georgia**

**Compliance**

We have audited the compliance of the City of St. Marys, Georgia with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The City of St. Marys, Georgia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of St. Marys, Georgia's management. Our responsibility is to express an opinion on the City of St. Marys, Georgia's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of St. Marys, Georgia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of St. Marys, Georgia's compliance with those requirements.

In our opinion, the City of St. Marys, Georgia complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

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### **Internal Control Over Compliance**

The management of the City of St. Marys, Georgia is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of St. Marys, Georgia's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of St. Marys, Georgia's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Mauldin & Jenkins, LLC*

# CITY OF ST. MARYS, GEORGIA

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant I.D.	Total Expenditures
<b>U. S. DEPARTMENT OF TRANSPORTATION:</b>			
Direct Award			
FAA Airport Improvement Program	20.106	3-13-0103-002-2004	\$ 21,569
Total U. S. Department of Transportation			<u>21,569</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY:</b>			
Passed through Georgia Emergency Management Services:			
State Domestic Preparedness Equipment Support	97.004	2006-GE-T6-0066	4,660
Total U.S. Department of Homeland Security			<u>4,660</u>
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY</b>			
Passed through Georgia Environmental Facilities Authority:			
State Revolving Loan Fund	66.458	CWSRF00-017	445,548
Total U. S. Environmental Protection Agency			<u>445,548</u>
<b>U.S. DEPARTMENT OF JUSTICE:</b>			
Direct Award			
Bulletproof Vest Partnership Grant	16.607	04J-04-0404-0001	72,067
Total U.S. Department of Justice			<u>72,067</u>
 Total Expenditures of Federal Awards			 <u><u>\$ 553,844</u></u>



**CITY OF ST. MARYS, GEORGIA**

**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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**NOTE 1. BASIS OF PRESENTATION**

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of St. Marys, Georgia and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State and Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

CITY OF ST. MARYS, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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SECTION I  
SUMMARY OF AUDIT RESULTS

**Financial Statements**

Type of auditor's report issued Unqualified

Internal control over financial reporting:  
Material weaknesses identified? ☐ yes ☒ no

Significant deficiencies identified not considered  
to be material weaknesses? ☒ yes ☐ none reported

Noncompliance material to financial statements noted? ☐ yes ☒ no

**Federal Awards**

Internal Control over major programs:  
Material weaknesses identified? ☐ yes ☒ no

Reportable conditions identified not considered  
to be material weaknesses? ☐ yes ☒ none reported

Type of auditor's report issued on compliance for  
major programs Unqualified

Any audit findings disclosed that are required to  
be reported in accordance with OMB Circular  
A-133, Section 510(a)? ☐ yes ☒ no

Identification of major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
66.458	U.S. Environmental Protection Agency; State Revolving Loan Fund

Dollar threshold used to distinguish between  
Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? ☒ yes ☐ no

## **CITY OF ST. MARYS, GEORGIA**

### **SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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#### **SECTION II FINANCIAL STATEMENT FINDINGS**

##### **2007-1. Revenue/Receivables Cycle**

Criteria: Generally accepted accounting principles require revenues to be recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Condition: The City did not appropriately record all transactions involving the receivable and revenue accounts during the year ended June 30, 2007.

Context/Cause: During our testing of revenues and receivables, audit adjustments were required to correct various account balances. These adjustments were due to the exclusion of receivables that should have been recorded at year-end.

Effect: An audit adjustment of \$25,000 to increase the amount due from other funds was recorded in the General Fund. An audit adjustment to increase revenue and receivables in the amount of \$28,157 was recorded in the Water & Sewer Fund.

Recommendation: We recommend the City carefully review the year end closing entries in order to ensure all journal entries are properly recorded at year-end.

Views of Responsible Officials: We concur with the recommendation. We will take the appropriate measures to ensure all journal entries are properly recorded.

#### **SECTION III FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

None reported.

#### **SECTION IV STATUS OF PRIOR YEAR FINDINGS**

None reported.

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